Uncompensated and Undercompensated Care Provided by San Francisco Medical Society Physicians

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Practicing physician members of the San Francisco Medical Society were surveyed regarding reimbursement rates for medical care provided to underinsured and uninsured patients. Of 394 respondents, about $51,000 per physician practice was written off as uncompensated care or services not billed for in 1985. An average of 7% of each physician's patients was estimated to be "no-pay" or charity patients, accounting for $19,000 of this total. Almost $32,000 was reported as being uncompensated care, or that which is billed but not paid. In addition to these amounts, an average of $32,000 was reported as being discounted from the usual fee levels by government insurance programs. Extrapolating these results to the physician membership of the local medical society indicates that physicians in San Francisco may be providing as much as $81 million in uncompensated or charity care annually. These results emphasize that private practitioners are providing a significant amount of medical care at reduced or charity rates, an amount that can be expected to increase given present trends. Substantial changes are needed if the burden of providing medical care to poor and uninsured Americans is not to fall disproportionately on private providers.

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The problem in the United States of funding medical care for medically indigent persons—those without personal funds or health insurance—continues to become more serious. As the costs associated with health care rise and government funds for providing care and health insurance become scarcer, increasing numbers of Americans are left without easy access to medical care. At all levels, government officials are cutting programs. The burden of providing care at reduced or nonexistent reimbursement rates is falling increasingly on the private sector. This study represents an attempt to assess the impact of these trends on practicing physicians in San Francisco.

Medical Care Reimbursement Environment

Until 1982, health care for medically indigent adults—those who do not qualify for Medi-Cal (Medicaid) on a regular basis—was nonetheless covered by the state of California through its Medi-Cal program. At that time, Medi-Cal "reform" legislation was enacted, and the responsibility for providing for these persons was turned over to the individual counties.[1] That year, the state paid as much as 70¢ on the dollar of former funding levels. The cost of administering the program also became county responsibility, but no funds were provided for this purpose by the state. By 1987, the state paid only 55¢ on the dollar. San Francisco County general revenues were required to make up the difference.

The crisis faced in San Francisco is further exacerbated by the fact that Medi-Cal reimbursement to physicians is estimated to be only 41% of usual fees, down from 50% before Medi-Cal "reform" (J.S. Taub, "Medi-Cal: An Ailing Health System for the Poor," *California Journal,* 1987; 43:432). Like other major urban areas, San Francisco is particularly hard hit by reductions in public funding of health care. The county government's contribution to indigent care—for the homeless, patients with the acquired immunodeficiency syndrome, employed but underinsured or uninsured patients in catastrophic situations—reached $100 million in 1985 (Margaret Kisliuk, Executive Assistant, Office of the Director of Health Services, San Francisco County Department of Public Health, oral communication, October 1987).

The San Francisco Medical Society (SFMS) surveyed its members to assess the sources and amount of payments for medical care provided to patients. The survey was undertaken to assist a local coalition, the Bay Area Health Task Force, to improve access to needed health care services for San Francisco's underinsured and uninsured citizens and to assess the financial impact on providers serving that patient population.

The data would be provided to the task force—a coalition of business, labor, government, and providers in which the medical society is a participant—for use in examining access problems and the financial jeopardy faced by providers rendering care at no or reduced charge for indigent patients. Such data on hospitals are readily available through the California Health Facilities Commission, but similar data on physicians have not previously been available.

To help define the magnitude of the problem, the SFMS agreed to fund a survey of its members. To avoid conflict-of-interest charges, we worked cooperatively with the Bay Area

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ABBREVIATIONS USED IN TEXT
BAHRC = Bay Area Health Resources Center
SFMS = San Francisco Medical Society

Health Resources Center (BAHRC), a reincarnated Health Systems Agency. BAHRC was a member of the task force with survey expertise and computer tabulation analysis capabilities.

Methods

After two pretests, 1,739 questionnaires were mailed from the SFMS on November 19, 1986, with an explanatory letter and a request that they be returned by December 1, 1986. Financial limitations prevented follow-up by mail or telephone. A decision to exclude hospital-based physicians—radiologists, anesthesiologists, and pathologists—reduced the sample to 1,600. With 2,200 active and retired members (retired members were excluded from the survey), the SFMS membership represents about 60% to 65% of all physicians licensed to practice medicine in San Francisco County and a higher percentage of those practicing in private, noninstitutional settings.

The questionnaires were tabulated in January 1987. After adjusting for the excluded specialists, 394 were returned for a valid response rate of 25%, which is high for a mail-in survey without follow-up. BAHRC warns there may be possible bias by a selective return. Physicians responding may have been those most affected by the uncompensated care issue. Budgetary constraints also prevented follow-up to determine why the remaining 75% of members did not respond to the survey.

The survey was designed to measure the opinions of local physicians regarding the amounts of medical care provided to the underinsured and uninsured of San Francisco. To maximize physicians' responses to the survey, the surveyors sought estimates rather than a more precise accounting of service provided. The results represent physicians' perceptions of the amounts of care they provide to the underinsured and uninsured. The survey sought information only from members of the SFMS. Nonmembers were not surveyed, which could further affect results.

Results

The respondents' profiles closely correspond with those of the SFMS membership when compared by specialty, age, and geographic location (zip codes) of their practices. SFMS physicians estimate that an average of 19% of patients in their practices are uninsured by any source. Among respondents, about $51,000 per physician practice, exclusive of discounted services for Medicare and Medi-Cal, was written off for uncompensated care or services provided but not billed for in 1985. For respondents alone, this is equivalent to $13,770,000. Extrapolated to the survey universe—that is, the remaining 75% of nonresponders—the amount of uncompensated and charity care would equal $81.6 million annually.

Respondents estimated they had a cumulative total of 863,000 outpatient visits in 1985—which extrapolates to 4,469,000 patient visits annually for the survey universe—2,793 outpatients per physician based on a 49-working-weeks year, or 57 patients per week. In all, 7% of patients are estimated to be charity care ("no pay") patients. Therefore, as many as 313,000 charity care visits may be provided by the SFMS survey universe members annually. An estimated $215,828 in gross charges would be billed annually by the average medical practice in San Francisco if all charges were billed. Respondents reported, however, that $19,000 is never billed but represents charity care. A total of $31,600 is written off as uncompensated care—given at a reduced cost or billed for with no expectation of payment, as opposed to bad debt; another $32,600 is discounted from usual charges by the Medicare and Medi-Cal programs.

A projected 70% of SFMS members are providing free or reduced-cost care to patients who lost their health insurance coverage in 1986. Another 55% could be projected to be providing free or reduced-cost care to patients who lost their Medi-Cal coverage. On average, respondents reported discounting the cost of care provided to lower income, uninsured patients by 42%. Free or discounted care to lower income, uninsured patients is provided by a large majority of SFMS members in both the inpatient (60% of physicians) and outpatient (61% of physicians) settings. An average of 50% of charges to uninsured low-income patients was collected. One in four survey respondents reported 10% or more of the care they provided went to charity care patients for whom no payment at all was received.

In general, SFMS members report that they do not require their uninsured patients to establish a payment plan (56%), and 76% do not require a downpayment or full payment at the time of service.

Of the patients treated by the typical survey respondent, 54% are on government insurance programs including Medi-Cal, Medicare, and Civilian Health and Medical Programs of the Uniformed Services (CHAMPUS). This figure appears somewhat high and could reflect a selective response by physicians who treat higher numbers of the underinsured and uninsured. Respondents report that they are reimbursed for only 64% of claims submitted to the Medi-Cal program. In addition, 90% say Medi-Cal payments are too low, 66% say payment is too slow, and 71% say the program's paperwork is too burdensome. Still, 85% indicate they participate in the Medi-Cal program, though the survey did not ask what percentage of their total patient loads were Medi-Cal beneficiaries. The California State Department of Health Services data for 1986-1987 indicate that in San Francisco County, 1,762 solo practitioners and 234 groups (of unknown numbers of physicians) received payments from the Medi-Cal program (John Keith, Department of Health Services, Chief of Medi-Cal Statistics, oral communication, January 1988). Past SFMS analyses of members have indicated that nearly 90% accept some Medi-Cal patients, although this is clearly an area for additional analysis.

Physicians responding to the survey appear to be aware of their patients' financial situations (respondents say 60% of their uninsured patients are lower income or poor), and they say they are responsive to those financial situations within their practices.

Comments

Self-selection among survey respondents is an acknowledged possibility, but the sample is generally representative of the SFMS membership (excluding hospital-based physicians). In fact, figures reported by physicians relative to the percentage of patients without health insurance within their practices is lower than, but still consistent with, findings

from a study done by the Stanford Research Institute for the Bay Area Health Task Force in 1986.[2(p2)] That study estimated that 24% to 37% of San Franciscans younger than 65 years are uninsured.

Knowing the potential physician component of the undercompensated and uncompensated care problem enables the Bay Area Health Task Force to begin the process of developing a "community compact," which it describes as "a negotiated agreement between the parties affected by a problem, who agree on the steps each can take to contribute to its solution."[2(pp3-4)]

Between July 1, 1983, and June 30, 1984, hospitals in San Francisco indicated that they incurred just under $200 million in uncompensated care represented by bad debt or charity care (30% or $61.2 million), Medicare contractual allowances ($95.3 million), and Medi-Cal contractual allowances ($42.9 million).[2(p2)] The SFMS survey results emphasize the equally enormous contribution physicians make in providing care to those who cannot pay full fee or pay at all. Based on survey findings, 9% of the value of all services provided in the average medical practice is charity care, 15% is written off as uncompensated care, and another 15% of charges is discounted for Medicare and Medi-Cal patients. Consequently, physicians perceive that a total of 39% of their average potential gross is deliberately provided at no charge, is uncollectible as uncompensated care, or is discounted to government-subsidized patients.

The magnitude of the undercompensated and uncompensated care issue is significant. Approaches to solutions being considered by the Bay Area Health Task Force include both consumer- and provider-oriented approaches, such as:

- Expanding private insurance,
- Creating a state risk-sharing pool,
- Enrolling in prepaid plans,
- Expanding Medi-Cal coverage to include medically indigent adults,
- Establishing payments for services to specific populations,
- Creating a state catastrophic health insurance program,
- Making direct grants to providers,
- Creating earmarked revenue pools,
- Adjusting provider rates.[2(p4)]

A survey of small businesses being undertaken by the Task Force will determine the level of health insurance offered by small employers, clearly define the barriers to offering coverage, and identify the influence of each barrier on the decision to offer or purchase insurance coverage. Similarly, a telephone survey of the working uninsured is intended to delineate the characteristics and subpopulations of this group. Such an approach recognizes that the underinsured and uninsured are not necessarily composed of indigent persons but may be the working poor and even the working well-off (whose employers do not provide insurance coverage) and the self-employed who do not personally choose to use a portion of their incomes to purchase health insurance coverage. The risk of catastrophic illness is one each of these last two groups presently appears willing to take.

The ultimate goal of the task force is to develop a series of health care coverage options that are consistent with enrolling the working uninsured in affordable health care plans. While the burden of caring for the medically indigent may be unevenly distributed among individual physicians and hospitals, the results of the SFMS survey emphasize that physicians generally perceive their own contributions to be large. Moreover, $51,000 in charity or uncompensated care is a substantial individual contribution to a serious societal problem. Federal and state public policymakers critical of physicians' charges must consider their own responsibility for limiting access to care for the medically needy and shifting the cost of care for indigent persons to local public and private pay sectors.

The survey shows that medical providers must cooperate with community, health, and government interests to address the needs of underinsured and uninsured, to see that the contributions of physicians in meeting those needs do not go unrecognized, and to encourage more equitable ways of sharing the burden for such care.

REFERENCES

1. 1982 Cal State Legislation AB 799, p 23

2. Health Care for the Uninsured and Underinsured: A San Francisco Challenge. Stanford, Calif, Stanford Research Institute International Study for the Bay Area Health Task Force, July 1986